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IN THE

Supreme Court of the United States

OCTOBER TERM, 1978

No. 78-886

WESLEY-JESSEN INC., AN ILLINOIS CORPORATION, AND DR. NEWTON K. WESLEY,

Petitioners,

vs.

MARCELLO CHIQUIAR ARIAS,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

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IN THE
SUPREME COURT OF THE
UNITED STATES
OCTOBER TERM, 1978

NO. _____

WESLEY-JESSEN INC.,
an Illinois corporation,
and DR. NEWTON K. WESLEY,

Petitioners,

v.

MARCELO CHIQUIAR ARIAS,

Respondent.

Petition for Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit.

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The Petitioners-Plaintiffs, WESLEY-JESSEN INC., an Illinois corporation, and DR. NEWTON K. WESLEY, respectfully pray that a Writ of Certiorari issue to review the Order and Opinion of the United States Court of Appeals for the Seventh Circuit in favor of the Respondent-Defendant herein, MARCELO CHIQUIAR ARIAS, whereby the appeal of the Petitioners from an Order staying the proceeding pending arbitration was dismissed. A Petition for Rehearing was denied.

OPINIONS BELOW

On March 15, 1978, an opinion was filed by the United States District Court for the Northern District of Illinois, Eastern Division, staying the proceedings pending arbitration pursuant to the motion of the respondent (App'x, page A1). On September 7, 1978, an opinion (dated September 6, 1978) was filed by the United States Court of Appeals for the Seventh Circuit whereby the appeal of the March 15, 1978 order was dismissed (App'x, page A7). On October 17, 1978, an opinion was filed by the United States Court of Appeals for the Seventh Circuit whereby the Petitioners' petition for rehearing was denied (App'x, page A8).

JURISDICTION

The Order of the United States Court of Appeals for the Seventh Circuit was entered on September 7, 1978 (App'x, page A7). A timely Petition for Rehearing was filed, then denied on October 17, 1978 (App'x, page A8).

This Petition for Certiorari is filed within 90 days. This Court's jurisdiction is invoked under 28 U.S.C. §1254(1).

QUESTION PRESENTED

Can one Circuit of the United States Court of Appeals render a decision denying a litigant the right to appeal an order staying proceedings before the United States District Court pending arbitration where such decision is in direct conflict with the Enelow-Ettelson Rule established by the Supreme Court of the United States and decisions rendered by other circuits of the United States Courts of Appeal and the Supreme Court of the United States.

STATUTORY AUTHORITIES

1 Ill. Rev. Stat. 1959, ch. 10, §§1-30, pages 194 et seq.

1 Ill. Rev. Stat. 1977, ch. 10, §§101-123, pages 189 et seq.

1 Ill. Rev. Stat. 1977, ch. 10, §119, page 191.

3 Ill. Rev. Stat. 1975, ch. 110, §16, page 355.

3 Ill. Rev. Stat. 1975, ch. 110, §17, page 356.

8 U.S.C. 1976 ed., Title 28, §1254, page 157.

8 U.S.C. 1976 ed., Title 28, §1291, page 159.

8 U.S.C. 1976 ed., Title 28, §1292(a)(1), page 160.

7 U.S.C. 1970 ed., Title 28, §1332, page 7566.

STATEMENT OF THE CASE

The Petitioners-Plaintiffs, WESLEY-JESSEN INC., an Illinois corporation, and DR. NEWTON K. WESLEY (hereinafter referred to as PETITIONERS) filed a two count Complaint against the Respondent-Defendant, MARCELO CHIQUIAR ARIAS (hereinafter referred to as RESPONDENT), in the United States District Court for the Northern District of Illinois, Eastern Division. The suit was filed on the basis of diversity of citizenship. The Complaint seeks a declaratory judgment of the rights and obligations of the respective parties with regard to certain alleged disclosures by the Respondent to the Petitioners relating to the manufacture and use of contact lenses. Count I charges that a written agreement dated March 24, 1960 required the Respondent to make disclosures to the

Petitioners of any and all experience, information, knowledge, skill, and know-how which he may have or gain regarding the manufacture and use of contact lenses and related equipment, machinery, and supplies and this Count I further charges that the said Agreement also provided that such disclosures can be used "without charge". Count II charges that the alleged disclosures of the Respondent were useless, not novel, and never used. Count I and Count II request the court, inter-alia, to enter judgment declaring that the Respondent, despite his demands, has no right to any moneys or royalties in connection with the products produced and manufactured by the Petitioners. Therefore, the controversy requiring a declaratory judgment is that the Respondent has demanded royalties and moneys in connection with his alleged disclosures regard-

ing contact lenses, whereas, the Petitioners have asserted that the Respondent was under a duty pursuant to the written agreement dated March 24, 1960 to make such disclosures and that by the very terms of said written agreement the Petitioners could use such disclosures without charge. In addition, Petitioners have asserted in their Complaint in Count II that the Respondent is not entitled to any moneys or royalties because the alleged disclosures were useless, not novel, and never used. In essence, the dispute is as to what royalty or moneys, if any, Respondent is entitled to receive from the Petitioners.

After service of process upon the Respondent, he moved, by a Motion to Quash Service of Complaint, to dismiss this action for lack of personal jurisdiction. This issue was fully and exten-

sively briefed by the respective parties and on August 30, 1977 the Honorable Bernard M. Decker denied Respondent's Motion holding that jurisdiction over the Respondent was proper under the Illinois Long Arm Statute. 110 Ill. Rev. Stat., Sec. 16, 17.

Thereafter instead of filing an answer, Respondent filed a Motion to Stay Proceedings on November 29, 1977. Said Motion asserted that paragraph 12 of the Agreement dated March 24, 1960 required arbitration prior to litigation and that such provision was valid and enforceable under "Smith-Hurd Ill. Stat., Title 10, Sec. 101 (Ill. Laws 1971, p. 3844, Sec. 1, effective August 24, 1961)", and based upon Sec. 1 of the Uniform Arbitration Act and the case of Cocalis v. Nazlides, 308 Ill. 152, 139 N.E. 95 (1923).

The Petitioners filed their Memorandum in Opposition to Motion to Stay Proceedings on January 24, 1978. The Memorandum explained that paragraph 12 of the subject Agreement does not create an enforceable agreement to arbitrate the subject controversy since on March 24, 1960, the date of the subject Agreement, the Arbitration and Awards Statute, 10 Ill. Rev. Stat., Sec. 1-30 (effective date July 1, 1919) was in effect and was controlling of agreements regarding arbitration in the State of Illinois and this Statute and the Cocalis case, which is the leading case interpreting said Statute, provided that only agreements to arbitrate disputes antecedent to and/or existing as of the actual date of the Agreement to arbitrate were enforceable. Said Statute and case established that a provision in an agreement to arbitrate future contro-

versies was unenforceable. The Petitioners further asserted in said Memorandum that the Respondent is seeking arbitration of a dispute that arose after March 24, 1960, the date of the written agreement and that, therefore, the provision in the subject Agreement calling for arbitration is unenforceable. The Petitioners further asserted in that Memorandum that the Uniform Arbitration Act, 10 Ill. Rev. Stat., Sec. 101-123 became effective on August 24, 1961 and that this Act did authorize agreements to arbitrate future disputes. However, the Legislature of the State of Illinois expressly limited the application of the Uniform Arbitration Act to agreements made subsequent to August 24, 1961. 10 Ill. Rev. Stat., Sec. 119. In addition, the Petitioners asserted in their Memorandum that a condition precedent to arbitration established by para-

graph 12 of the subject Agreement was not satisfied since the dispute is capable of resolution under the terms of said Agreement and the Petitioners' Motion for Summary Judgment should be considered so as to bring the dispute to a conclusion.

The Respondent filed a reply to said Memorandum which distorted the applicable law and facts so as to facilitate an argument in support of the Respondent's Motion.

On March 15, 1978, Judge Decker entered a Memorandum Opinion and Order granting Respondent's Motion to Stay. Said Memorandum Opinion and Order stated the following in pertinent part:

> "The Plaintiffs' second argument against application of paragraph 12 is that the arbitration agreement is void because in 1960, the date of the contract, Illinois courts refused to order specific performance of such agreements, Cocalis v. Nazlides, 308 Ill. 152 (1923). How-

> ever, the relevant Illinois statute was amended in 1961 and present law clearly provides that arbitration clauses are enforceable...".

Judge Decker's decision disregarded the applicable law and is devoid of any statutory or case support. Judge Decker's decision is in direct conflict with the applicable statute and case authority. In particular, Judge Decker disregarded Sec. 119 of the Uniform Arbitration Act which made the Uniform Arbitration Act applicable only to agreements made subsequent to the Act's effective date, to-wit: August 24, 1961 and also disregarded the law of Illinois as it existed on March 24, 1960 with regard to arbitration agreements as expressed in the Arbitration Awards Statute, Cocalis, and numerous other cases whereby agreements to arbitrate future disputes were held unenforceable.

On March 21, 1978, Petitioners presented a motion to Judge Decker requesting, inter-alia, that the Memorandum Opinion and Order of March 15, 1978 be reconsidered and vacated. That motion was denied on March 21, 1978. On March 22, 1978 Petitioners filed their Notice of Appeal whereby the March 15, 1978 Order was appealed to the United States Court of Appeals for the Seventh Circuit.

Subsequently, the issue on appeal was fully briefed by the respective parties.

On August 10, 1978, the United States Court of Appeals for the Seventh Circuit entered an Order requiring simultaneous memoranda from the respective parties as to the jurisdiction of that Court to entertain the appeal from the subject Order of the District Court staying proceedings pending arbitration.

The Petitioners filed their Memorandum which clearly and unequivocally asserted that jurisdiction was proper in the United States Court of Appeals for the Seventh Circuit with respect to the subject appeal. The grounds asserted by the Petitioners are detailed hereinbelow.

28 U.S.C. 1292(a)(1) provides in pertinent part that the Court of Appeals shall have jurisdiction of appeals from:

> "Interlocutory order of the District Courts of the United States...granting, continuing, modifying, refusing, or dissolving injunctions or refusing to dissolve or modify injunctions..."

An order granting or denying a stay of proceedings in a District Court pending arbitration has been held to be tantamount to the granting or denial of an injunction and is, therefore, appealable under Sec. 1292(a)(1) if the

following two-prong test is satisfied:

1. The action in which the order was made is an action which before the fusion of law and equity was by its nature an action at law.

2. The stay was sought to permit the prior determination of some equitable defense.

Enelow v. New York Life Insurance Company, 293 U.S.397 (1934); Ettelson v. Metropolitan Life Insurance Company, 317 U.S. 188 (1942); Shanferoke Co. v. Westchester, 293 U.S. 449 (1942); Baltimore Contractors Inc. v. Bodinger, 348 U.S. 176 (1955); Travel Consultants v. Travel Management Corporation, 367 F.2d 334 (D.C.Cir. 1966); Standard Chlorine of Delaware v. Leonard, 384 F.2d 304 (2d Cir. 1967); American Safety Equipment v. J.P. McGuire Company Inc., 391 F.2d 821 (2d Cir. 1968); Power Replacement Inc. v.

Air Preheater Company Inc., 426 F.2d 980 (9th Cir. 1970); Wallace v. Norman Industries, 467 F.2d 824 (5th Cir. 1972); J.S.& H. Construction Company v. Richmond County Hospital Authority, 473 F.2d 212 (5th Cir. 1973); Zell v. Jacoby-Bender Inc., 542 F.2d 34 (7th Cir. 1976).

In American Safety Equipment, a declaratory judgment action was brought by a licensee against a licensor to declare that the license agreement was illegal and void ab initio and that no royalty obligation had or would accrue under the license agreement. The licensor demanded a stay to submit the dispute to arbitration pursuant to the arbitration clause of the written license agreement and the District Court stayed the declaratory judgment action pending arbitration. American Safety Equipment is drastically similar

to the case before this Court with respect to the factual background, nature of the proceeding, and the issue upon appeal. Therefore, this Court's patience and indulgence is requested in connection with the presentation below of a lengthy quote.

The Court stated the following in American Safety Equipment at page 824:

> "The basic question we must resolve is whether the district court erred in staying ASE's actions and ordering arbitration of ASE's antitrust allegations. Before reaching it, however, we must determine whether these orders are properly before us at all, i.e., whether they are appealable. That issue was not initially noticed by the parties; we brought it to their attention, however, and they subsequently submitted briefs on the matter. A very recent case in this circuit, Standard Chlorine, Inc. v. Leonard, 384 F.2d 304 (2d Cir. 1967), is dispositive of the law to be applied. As we stated there, adopting the Fifth Circuit's formulation, id. at 308:

> 'An order staying or refusing to stay proceedings in the District Court is appealable under § 1292(a)(1) only if (A) the action in which the order was made is an action which, before the fusion of law and equity, was by its nature an action at law; and (B) the stay was sought to permit the prior determination of some equitable defense or counterclaim.'

"The second requirement has clearly been met here; setting up the arbitration agreement is itself an equitable defense. Id.; see Shanferoke Coal & Supply Corp. of Delaware v. Westchester Service Corp., 293 U.S. 449, 452, 55 S.Ct. 313, 79 L.Ed. 583 (1935).

"Whether the first requirement has been fulfilled is more complicated. A declaratory judgment action is a statutory creation, and by its nature is neither fish nor fowl, neither legal nor equitable. Where, as here, such an action has required classification, the courts have looked to the basic nature of the suit in which the issues involved would have arisen if Congress had not created the Declaratory Judgment Act, 28 U.S.C.§§ 2201, 2202, E.g., Simler v. Conner, 372 U.S. 221, 83 S. Ct. 609, 9 L.Ed. 2d 691 (1963); Beacon Theatres, Inc. v. Westover, 359 U.S. 500, 504,

> 515, 79 S.Ct. 948, 3 L.Ed. 2d 988 (1959); see Wright, Federal Courts § 100, at 392-93 (1963). Were it not for the availability of declaratory relief, the dispute between ASE and Hickok would normally arise in one of two ways. ASE could bring an action for treble damages based upon the alleged antitrust violations. On the other hand, ASE could wait until Hickok attempted to collect outstanding royalties and then assert the illegality of the agreement as a defense.
>
> "In either instance, the action would be legal, not equitable. See Beacon Theatres, Inc. v. Westover, supra; Ring v. Spina, 166 F.2d 546 (2d Cir.), cert. denied, 335 U.S. 813, 69 S.Ct. 30, 93 L.Ed. 368 (1948). Since the basic nature of ASE's declaratory judgment action against Hickok is thus legal, the conditions set forth in Standard Chlorine are met, and the appeal will lie."

The United States Court of Appeals for the Ninth Circuit held in the case of Hudson Lumber Company v. United States Plywood Corporation, 181 F.2d 929 (9th Cir. 1950) that an order staying a declaratory judgment proceeding pending arbitration under a certain

provision of a written agreement between the respective parties was appealable under Sec. 1292(a)(1) pursuant to Enelow, supra; Shanferoke, supra; and other cases. The court analyzed the plaintiff's Complaint for Declaratory Judgment and concluded that such Complaint did not include any facts warranting injunctive relief and that the plaintiff, in fact, did not seek injunctive or equitable relief to prevent irreparable injury. As such, the court concluded that the plaintiff's action was not equitable and, therefore, must be of legal character.

The plaintiff sued for damages and equitable relief in Cuneo Press v. Kokomo Paper Handler's Union, 235 F.2d 108 (7th Cir. 1956) and the defendant responded by demanding a stay of the proceedings pending arbitration pursuant to a provision of the written agreement

between the parties. The District Court denied the defendant's motion and an appeal followed. The plaintiff moved to dismiss the appeal on the ground that the stay order was not final or appealable under the authority of Baltimore Contractors, supra. The Court of Appeals for the Seventh Circuit rejected the plaintiff's motion and held under the authority of Shanferoke, supra, and Enelow, supra that a motion for stay was an application for an interlocutory injunction based upon the motion setting up the special defense of the duty to arbitrate. The appeal was held proper under Sec. 1292(a)(1).

In Zell, supra, the plaintiff, a sales representative, sued the defendant, a manufacturer, for an accounting. Defendant moved for a stay of the proceeding pending arbitration under the terms of an agreement between the

parties, and the District Court did stay the proceeding pending arbitration. The defendant argued before the Appellate Court that the appeal was not proper since the plaintiff's accounting suit was equitable in character. However, the Appellate Court analyzed the requirements for an action for an accounting and reviewed the record to see if it disclosed the presence of these requirements. The court concluded that the necessary allegations for the equitable action for an accounting were not present in the record and that, therefore, the plaintiff's action was, in actuality, for breach of contract and money damages. Such action was held to be at law. The plaintiff's appeal was then held to be proper under Sec. 1292(a)(1) and Baltimore Contractors, supra.

It is well established that the interposition of an arbitration agreement to avoid litigation is the establishment of an equitable defense for the purpose of satisfying the second part of the applicable two-pronged test. American Safety Equipment Corp., supra; J. S. & H. Construction Co., supra; Danford v. Schwabacher, 488 F. 2d 454 (9th Cir. 1973).

A declaratory judgment action is a statutory creation and is neither "fish nor fowl, neither legal or equitable". Therefore, we must look to the "basic nature of the suit" in which the issues involved would have arisen if Congress had not created the Declaratory Judgment Act. American Safety Equipment Corp., supra.

The Petitioners' Complaint herein is devoid of any allegations regarding injunctive or equitable claims and does

not request any injunctive or equitable relief. The issue between the respective parties is, in reality, one of royalties and moneys and the suit as presently framed is not equitable in character. In the absence of a declaratory judgment action, the Respondent would probably have sued the Petitioners for such royalties and moneys and the Petitioners would have interposed the matters recited in the Complaint for Declaratory Judgment as defenses. Without the availability of a declaratory judgment action, the action between the respective parties hereto could have been maintained only at law.

On September 7, 1978, an order was entered in the United States Court of Appeals for the Seventh Circuit whereby the appeal of Judge Decker's order was dismissed. Said order provided in

pertinent part as follows:

> "IT IS ORDERED that this appeal is hereby DISMISSED because it is not taken from a final order. Baltimore Contractors, Inc. v. Bodinger, 348 U.S. 176 (1955); Zell v. Jacoby-Bender, Inc., 542 F. 2d 34 (7th Cir. 1976)."

The September 7, 1978 Order of the United States Court of Appeals for the Seventh Circuit is in conflict with the Enelow-Ettelson Rule and several other decisions of the United States Supreme Court and many decisions from the Second, Fifth, Seventh, and Ninth Circuit Courts of Appeal. This will be discussed in detail hereinbelow.

The Enelow-Ettelson Rule and the cases decided thereunder have held that an appeal from an order staying the proceeding pending arbitration is deemed to be pursuant to 28 U.S.C. Sec. 1292(a)(1). In addition, the Petitioners pursued said appeal under

Sec. 1292(a)(1) and never argued or asserted that the said appeal is from a final order pursuant to 28 U.S.C. Sec. 1291.

Further, the Appellate Court incorrectly relied upon Baltimore Contractors, Inc., supra and Zell, supra for authority in its decision. The Supreme Court of the United States in Baltimore Contractors, Inc., supra, held that the denial of a stay order pending arbitration in an equitable action for an accounting was not appealable since the action was not at law. However, Baltimore Contractors, supra, endorsed the Enelow-Ettelson Rule whereby a stay order pending arbitration in an action at law is appealable. The Appellate Court's reliance on Zell, supra, is also mistaken and without basis. The Court of Appeals for the Seventh Circuit in Zell, supra, dissected the

plaintiff's cause of action and ascertained that such action was in reality an action cognizable at law for breach of contract in spite of the action being styled for accounting. Therefore, the plaintiff's action was deemed to be at law for damages and appealable as an interlocutory injunction under 28 U.S.C. Sec. 1292(a)(1) and the Enelow-Ettelson Rule.

After the September 7, 1978 ruling, the Petitioners filed a Petition for a Rehearing en banc in an attempt to demonstrate the Appellate Court's misapprehension and misapplication of the applicable statutes and court decisions. The Petitioners, in detail, explained that the appeal was pursuant to Section 1291(a)(1) and conformed to the requirements established by the Enelow-Ettelson Rule. The Petitioners also pointed out to the Court that the

Court's reliance on Baltimore Contractors, Inc., supra, and Zell, supra, was in error. The Motion for Rehearing en banc was denied on October 17, 1978.

REASONS FOR GRANTING CERTIORARI

The September 7, 1978 Order herein of the United States Court of Appeals for the Seventh Circuit is in direct conflict with the decisions of the United States Supreme Court and:

1. Enelow v. New York Life Insurance Company, 293 U.S. 397 (1934)
2. Ettelson v. Metropolitan Life Insurance Company, 317 U.S. 188 (1942)
3. Shanferoke Co. v. Westchester, 293 U. S. 449 (1942)
4. Baltimore Contractors Inc. v. Bodinger, 348 U.S. 176 (1955)

These cases established that an order granting or denying the stay of a proceeding in a district court pending arbitration is tantamount to the granting or denial of an injunction and is,

therefore, appealable under Sec. 1292 (a)(1) if the action in which the order was made is an action which before the fusion of law and equity warranted by its nature an action at law and the stay was sought to permit the prior determination of some equitable defense. The rule established by these cases is commonly known as the Enelow-Ettelson Rule and has been in effect for a long period of time and respected by the United States Supreme Court and the United States Court of Appeals. The Supreme Court stated the following in Baltimore Contractors, supra, at page 184:

> "The incongruity of taking jurisdiction from a stay in a law-type and denying jurisdiction in an equity-type proceeding springs from the persistence of outmoded procedural differentiations... The distinction has been applied for years, however, and we conclude that it is better judicial practice to follow the precedence which limit appealability of interlocutory orders, leaving Congress to make such amendments as it may find proper."

The Supreme Court of the United States in the exercise of its supervisory power over lower federal courts must resolve conflicts of opinions of federal questions that have arisen among lower courts. The Supreme Court of the United States has the responsibility to bring about uniformity of decisions on those matters among the federal courts of appeal that may be a source of controversy and confusion. This is especially true where the difference between the respective courts of appeal involves federal practice and procedure. It is respectfully submitted that the subject Order of September 7, 1978 is in direct conflict with the following decisions:

1. Travel Consultants v. Travel Management Corporation, 367 F.2d 334 (D.C. Cir. 1966)

2. Standard Chlorine of Delaware v. Leonard, 384 F.2d 304 (2d Cir. 1967)

3. American Safety Equipment v. J. P. McGuire Company Inc., 391 F.2d 821 (2d Cir. 1968)

4. Power Replacement Inc. v. Air Preheater Company Inc., 426 F.2d 980 (9th Cir. 1970)

5. Wallace v. Norman Industries, 467 F.2d 824 (5th Cir. 1972)

6. J. S. & H. Construction Company v. Richmond County Hospital Authority, 473 F.2d 212 (5th Cir. 1973)

7. Zell v. Jacoby-Bender Inc., 542 F.2d 34 (7th Cir. 1976)

8. Hudson Lumber Co. v. United States Plywood Corporation, 181 F.2d 929 (9th Cir. 1950)

9. Weissbuch v. Merrill, Lynch, Pierce, Fenner & Smith, Inc., 558 F.2d 831 (7th Cir. 1977)

10. Cuneo Press v. Kokomo Paper Handler's Union, 235 F.2d 108 (7th Cir. 1956)

11. Danford v. Schwabacher, 488 F.2d 454 (9th Cir. 1973)

Therefore, the subject Order contradicts and is in conflict with decisions rendered by the Second, Fifth, Seventh, and Ninth United States Court of Appeals.

Each of the above eleven decisions endorsed and followed the Enelow-Ettelson Rule. In particular, American Safety Equipment, supra, decided by the Second Circuit and Hudson Lumber Company, supra, decided by the Ninth Circuit held that the Enelow-Ettelson Rule is applicable to declaratory judgment actions and the Appellate Court in reviewing whether or not an order is appealable must determine whether the action would have been maintained at law or in equity prior to the merger of law and equity and in the absence of the availability of the declaratory judgment action. In American Safety Equipment, supra, and in Hudson Lumber Company, supra, the District Court stayed the declara-

tory judgment action pending arbitration under the written agreement and an appeal from such order was held proper since the plaintiff's Complaint did not include facts warranting injunctive relief or equitable relief to prevent irreparable injury. In American Safety Equipment, supra, the Court specifically noted that if the declaratory judgment action was not available, the plaintiff would probably have waited for the defendant to sue for money damages and then assert the allegations contained in the Complaint for Declaratory Judgment as defenses to such an action.

It is important that the courts of appeal for the different circuits adhere and respect the law as established by the Supreme Court of the United States. The law with respect to the subject issue was established

by the Supreme Court of the United States in the Enelow, supra; Ettelson, supra; Shanferoke Company, supra; and Baltimore Contractors, supra. The Second, Fifth, Ninth, and even the Seventh Circuits have adhered to the Enelow-Ettelson Rule and rendered decisions in conformity with that Rule. However, the Seventh Circuit in this case elected to disregard the Enelow-Ettelson Rule established by the Supreme Court and the decisions of the above-mentioned Courts of Appeal. This has resulted in the denial of the Petitioners' right to appeal an Order of the District Court to the Court of Appeals. This right is of an important and fundamental character and should be respected and preserved. The Court of Appeals for the Seventh Circuit had the obligation to follow the precedent established by the Supreme Court of

the United States and the Courts of Appeal.

CONCLUSION

The decision of the Court of Appeals for the Seventh Circuit is contrary to the dictates of the Supreme Court of the United States and numerous decisions of Appellate Courts throughout the country. Therefore, a Writ of Certiorari is necessary and appropriate so as to resolve conflicts of opinion on a federal question pertaining to practice and procedure and so as to avoid and eliminate a source of controversy and confusion. The right to appeal a District Court decision to a

Court of Appeal is a most important and fundamental right and should be available throughout the country on a uniform basis.

Respectfully submitted,

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

WESLEY-JESSEN, INC., etc., et al.,	)	
Plaintiffs,	)	
-vs-	)	NO. 76C3012
MARCELO CHIQUIAR ARIAS,	)	
Defendant.	)	

MEMORANDUM OPINION AND ORDER

This diversity action seeks a declaratory judgment as to the defendant's right to royalties in connection with certain disclosures made to the plaintiffs. The complaint alleges that the rights and obligations of the parties are governed by a contract dated March 24, 1960, which is attached to the complaint.

According to the allegations of the complaint, the defendant, a resident of Mexico, entered into an agreement with the plaintiffs, residents of Illinois,

whereby the defendant agreed to convey his knowledge and information regarding the design and manufacture of contact lenses and to permit the plaintiffs to make use of this information in their business in developing and manufacturing contact lenses. The plaintiffs allege that the defendant is now making a claim for royalties generated by use of the information provided pursuant to this contract. The plaintiffs seek a declaratory judgment that the defendant is not entitled to any monies, patents, or products of the plaintiffs.

This case is now before the court on the defendant's motion to stay the proceedings pending the outcome of arbitration as provided in paragraph 12

of the contract:

> "12. In the event a dispute shall arise between the shareholders or the directors which is not capable of being resolved under the provisions of this agreement then before any party shall have the right to submit the matters involved to litigation in the courts of law, the matter shall be submitted to the American Arbitration Association and settled in accordance with the rules of the Association."

The plaintiffs object to the defendant's motion on two grounds. First, they contend that paragraph 12 does not apply because this case is "capable of being resolved under the provisions of this agreement." However, to make sense, this paragraph must be read to include the words "by the parties"; any other interpretation--e.g., that the parties could go to court for resolution only if the court did not consider any matter outside the express terms of the agreement--would be meaningless.

Read this way, then, paragraph 12 applies to any dispute not capable of being resolved by the parties under the provisions of the agreement. This case clearly falls within that description.

The plaintiffs' second argument against application of paragraph 12 is that the arbitration agreement is void because in 1960, the date of the contract, Illinois courts refused to order specific performance of such agreements, Cocalis v. Nazlides, 308 Ill. 152 (1923). However, the relevant Illinois statute was amended in 1961,[1] and present law clearly provides that arbitration clauses are enforceable;

> "§10. Validity of arbitration agreement

---

1 The statute was amended again in 1976, adding provisions not relevant here.

> "A written agreement to submit any existing controversy to arbitration or a provision in a written contract to submit to arbitration any controversy thereafter arising between the parties is valid, enforceable and irrevocable save upon such grounds as exist for the revocation of any contract, . ." Ill. Rev. Stat. ch. 10 §101.

The Cocalis court noted that at common law, a party could sue for enforcement of an arbitration award, but that courts would not order specific performance of a promise to arbitrate. The reason for this rule was that arbitration was viewed as an attempt to oust the courts, and to deny parties the right to resort to the courts for a final resolution. However, the fact that awards were enforced demonstrates that arbitration was not considered absolutely against public policy. Rather, the rule was simply that arbitration agreements could not be enforced by specific performance, and this was

changed by §101, as quoted above. The parties' intention in including paragraph 12 is clear; this agreement is enforceable.

Although this case was originally filed in August of 1976, much of the intervening time was consumed by extended briefing schedules for a motion to quash service and for this motion. The parties have apparently been unable to work out a resolution to their dispute despite on-going negotiations. According to the contract, the dispute should now be submitted to arbitration. Accordingly, the defendant's motion to stay the proceedings is hereby granted. The proceedings will be stayed pending the outcome of arbitration as provided by paragraph 12 of the contract.

ENTER:

United States District Judge

DATED: March 15, 1978.

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
Chicago, Illinois 60604
Submitted: September 6, 1978

September 7, 1978

Before

Hon. WALTER J. CUMMINGS, CIRCUIT JUDGE

Hon. WILBUR F. PELL, JR., CIRCUIT JUDGE

Hon. WILLIAM J. BAUER, CIRCUIT JUDGE

WESLEY-JESSEN INC., an Illinois corporation and DOCTOR NEWTON T. WESLEY, Plaintiffs-Appellants, vs. MARCELO CHIQUIAR ARIAS, Defendant-Appellee.	Appeal from the United States District Court for the Northern District of Illinois, Eastern Division. No. 76-C-3012 BERNARD M. DECKER, JUDGE.
No. 78-1465	

This court has, sua sponte, thoroughly reviewed the briefs and supplemental memorandum filed herein by the parties for this appeal. On consideration thereof,

IT IS ORDERED that this appeal is hereby DISMISSED because it is not taken from a final order. Baltimore Contractors, Inc. v. Bodinger, 348 U.S. 176 (1955); Zell v. Jacoby-Bender, Inc., 542 F. 2d 34 (7th Civ. 1976).

UNITED STATES COURT OF APPEALS

For the Seventh Circuit
Chicago, Illinois 60604

October 17, 1978

Before

Hon. WALTER J. CUMMINGS, Circuit Judge
Hon. WILBUR F. PELL, JR., Circuit Judge
Hon. WILLIAM J. BAUER, Circuit Judge

WESLEY-JESSEN INC., an Illinois corporation, and DR. NEWTON K. WESLEY, Plaintiffs-Appellants,	Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.
No. 78-1465 vs.	No. 76-C-3012
MARCELO CHIQUIAR ARIAS, Defendant-Appellee.	Bernard M. Decker, Judge.

O R D E R

On consideration of the petition for rehearing and suggestion for rehearing en banc filed in the above-entitled cause by plaintiffs-appellants, no judge in active service has requested a vote thereon, and all of the judges on the original panel have voted to deny a rehearing. Accordingly,

IT IS ORDERED that the aforesaid petition for rehearing be, and the same is hereby, DENIED.

1 Ill. Rev. Stat. 1959, ch. 10, §1, page 194. (Arbitration and Awards)

[1. Submission of controversy to arbitrators.]
§ 1. Be it enacted by the People of the State of Illinois, represented in the General Assembly: That all persons having requisite legal capacity may, by an instrument in writing to be signed by them, submit to one or more arbitrators to be named in the manner indicated by such writing, any controversy existing between them, and may, in such submission, agree that any court of competent jurisdiction, or any court therein named (provided it is of competent jurisdiction) may pass upon any questions of law arising in such arbitration proceedings, and that a judgment, or succesive judgments, of such court shall be rendered upon the award made pursuant to such submission, and for payment of fees and costs of the arbitrator or arbitrators. [As amended by act approved June 28, 1919. In force July 1, L. 1919, p. 216.]

1 Ill. Rev. Stat., 1977, ch. 10, §101, page 189. (Uniform Arbitration Act)

---

101. §1. Validity of arbitration agreement. A written agreement to submit any existing controversy to arbitration or a provision in a written contract to submit to arbitration any controversy thereafter arising between the parties is valid, enforceable and irrevocable save upon such grounds as exist for the revocation of any contract, except that any agreement between a patient and a hospital or health care provider to submit to binding arbitration a claim for damages arising out of (1) injuries alleged to have been received by a patient, or (2) death of a patient due to hospital or health care provider negligence or other wrongful act, but not including intentional torts, is also subject to the Health Care Arbitration Act.

1 Ill. Rev. Stat. 1977, ch. 10, §119, page 191. (Uniform Arbitration Act)

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119. §19. (Act not retroactive.) This Act applies only to agreements made subsequent to the effective date of this Act.

8 U.S.C. 1976 ed., Title 28, §1291, page 159. (Jurisdiction and Venue)

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§ 1291. Final decisions of district courts

The courts of appeals shall have jurisdiction of appeals from all final decisions of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, except where a direct review may be had in the Supreme Court.

8 U.S.C. 1976 ed., Title 28, §1292(a)(1), page 160. (Jurisdiction and Venue)

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§ 1292. Interlocutory decisions

(a) The courts of appeals shall have jurisdiction of appeals from: (1) Interlocutory orders of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, or of the judges thereof, granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions, except where a direct review may be had in the Supreme Court.

Supreme Court, U. S.
FILED
JAN 30 1979
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1978

No. 78-886

WESLEY-JESSEN INC., AN ILLINOIS CORPORATION, AND DR. NEWTON K. WESLEY,

Petitioners,

vs.

MARCELLO CHIQUIAR ARIAS,

Respondent.

RESPONDENT'S BRIEF OPPOSING PETITION FOR WRIT OF CERTIORARI

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IN THE
SUPREME COURT OF THE
UNITED STATES
OCTOBER TERM, 1978

NO. 78-836

WESLEY-JESSEN INC.,
an Illinois corporation,
and DR. NEWTON K. WESLEY,

Petitioners,

v.

MARCELO CHIQUIAR ARIAS,

Respondent.

RESPONDENT'S BRIEF OPPOSING PETITION FOR WRIT OF CERTIORARI

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STATEMENT OF THE CASE

Petitioners filed a Complaint for Declarator, Judgment of a controversy between Petitioners and Respondent, jurisdiction being based upon diversity of citizenship.

Petitioners, on page 8 of the Petition, allege "...the Petitioners have asserted that the Respondent was under a duty pursuant to the written agreement dated March 4, 1960 to make such disclosures and that by the very terms of said written agreement the Petitioners could use such disclosures without charge... In essence, the dispute is as to what royalty or monies, if any, Respondent is entitled to receive from the Petitioners." The effect of an adjudication in favor of Petitioners would be to require Respondent to specifically perform what Petitioners allege to be the obligations of Respondent

under said agreement of March 24, 1960.

The agreement provides that controversies arising thereunder shall first be submitted for arbitration by the American Arbitration Association for arbitration under the rules of that association before either party shall resort to litigation in the courts.

The United States District Court, Northern District of Illinois, Eastern Division, Judge Decker, upon the motion of Respondent, stayed proceedings in the District Court pending arbitration. The Seventh Circuit Court of Appeals dismissed Petitioners' appeal on the ground that the stay was not a final appealable decision under Title 28 U.S.C. 1291. Petitioners requested a rehearing before the Circuit Court of Appeals on the ground that the appeal was prosecuted under 28 U.S.C. 1292(a)(1) rather than 1291, and

rehearing was denied.

The Petition for a Writ of Certiorari is based upon what Petitioners allege to be a District Court decision in direct conflict with the Enelow-Ettelson rule established by the Supreme Court of the United States and decisions of other appellate circuits and of this Court.

On page 9 of their Brief Petitioners digress from the petitioned question of appealability of the District Court's order staying proceeding there and similarly on page 13 of their Brief, argue that the District Court disregarded the Illinois Arbitration Statute in effect at the time of the execution of the agreement of March 24, 1960. This is urged by Petitioners in spite of the explicit language of the arbitration clause set forth in the appendix to Petitioners Brief at A3 which states that in the event of a dispute

which may arise under the provisions of the agreement, "then before any party shall have the right to submit the matters involved to litigation in the courts of law, the matter shall be submitted to the American Arbitration Association and settled in accordance with the rules of the Association." The Illinois Arbitration Act was not invoked nor does it apply.

The Enelow-Ettelson Rule

The basis for the rule is Enelow v. New York Life Insurance Company, 293 U.S. 379 (cited by Petitioners as 293 U.S. 397) and Ettelson v. Metropolitan Life Insurance Company, 317 U.S. 188. This rule is that the stay of a law action to first try an equitable defense is the grant of an injunction and appealable under 28 U.S.C. 1292.

In the present case there is not a stay of a law action to first try an equitable

defense. It is a stay of all the issues raised by the Complaint in order to first hear and determine all of the issues by arbitration before resorting to the courts.

The action brought by Petitioners lies in equity. It requests the court to enforce the contract between the parties. The Enelow-Ettelson rule does not bar the stay. This rule is clearly stated in Baltimore Contractors, Inc. v. Jacob H. Bodinger, 348 U.S. 176, 99 Led 233, 75 SCt. 249 (1954), as follows:

> "The power to stay proceedings in another court appertains distinctively to equity in the enforcement of equitable principles, and the grant or refusal of such a stay by a court of equity of proceedings and law is a grant or refusal of an injunction in the meaning of Section 129 [Section 1292]."

In Baltimore Contractors, Mr. Justice Reed in the opinion of the Court stated "We affirmed, holding that the Enelow rule did not apply; that since this was an equitable

proceeding with a counterclaim to enforce the policy, the decision to hear the reformation issue first without a jury was only a decision as to how to try the case, and therefore was not an interlocutory order in the nature of an injunction." It is urged by respondent that the stay in the District Court was not an interlocutory injunction staying a legal action but merely a decision as to the manner in which all the issues were to be tried, namely, by arbitration as a procedure to be followed prior to litigation.

Again in Baltimore Contractors, in applying Morgantown v. Royal Ins. Co., 337 U.S. 254, 93 Led 1347, 68 SCt 1067, it was stated

> "The Morgantown Case controls here. Whether the District Court was right or wrong in its ruling that the contract provision did not require arbitration proceedings, it was simply a ruling in the only suit pending, actual or fictional. It was a mere order and not an injunction as that word is understood through the Enelow and the Ettelson Cases as

> a stay through equitable principles of a common-law action. This present case is to be distinguished from the Shanferoke Coal and Supply Corp. Case, 293 US 449, 79 Led 583, 55 SCt 313, supra, note 5, in the same way. There in a common-law action a motion for an interlocutory injunction on an equitable defense was refused. The order was appealable under Judicial Code Section 129."

The United States District Court and the United States Circuit Court of Appeals for the Seventh Circuit did not disregard the Enelow-Ettelson rule, nor did they disregard Shanferoke Coal, Baltimore Contractors, or Morgantown v. Royal Insurance, but to the contrary, the courts below conformed to the law of those cases.

There Is No Conflict With The Decisions Of Other Circuits

In Travel Consultants v. Travel Management Corporation, 367 F2d 334, D.C. Cir. 1966, appeal was heard upon the stay of a law issue, and the stay was affirmed. Upon an equity issue the appeal was dismissed. In

Standard Chlorine of Delaware v. Leonard, 384 F2d 304 (2d Cir. 1967) the stay order was found not to be appealable.

In American Safety Equipment v. J. P. McGuire Company, Inc., 391 F2d 821 (2d Cir. 1968) again there was an action at law and a stay granted for prior determination of an equitable arbitration defense contrary to the Enelow-Ettelson rule.

In Power Replacements, Inc. v. Air Preheater Co., Inc., 426 F2d 930 (9th Cir. 1970) there was no agreement between the parties to submit to arbitration as a condition precedent to resorting to the court.

The Fifth Circuit in Wallace v. Norman Industries, Inc., 467 F2d 824 (1972) held that an effort to procure a stay of an action in Alabama pending the outcome of an appeal in Illinois was not to permit a prior determination of an equitable defense or counterclaim and thus the order denying the stay was not

an interlocutory order appealable under Title 28 U.S.C. 1292(a)(1).

J. S. & H. Construction Company v. Richmond County Hospital Authority, 473 F2d 212 (5th Cir. 1973) is the only case relied upon by petitioner in which it appears that an arbitration clause does make arbitration a condition precedent to legal action. The action was one at law for value of work and materials under a construction contract. The stay rightly was held appealable because it was an injunction against a law action.

We then come to Zell v. Jacoby-Bender Inc., 542 F2d 34 (7th Cir. 1976). This was an action by a sales representative seeking an accounting of commissions. The Seventh Circuit Court of Appeals held that where the accounts between the parties were not of such a complicated nature that only a court of equity could satisfactorily unravel them, the action was one at law and a stay

pending arbitration was appealable as an interlocutory injunction under Title 28 U.S.C. 1292(a)(1).

However, this case is of particular interest in the instant factual situation. In Zell the parties entered into a contract in 1955; the Illinois Arbitration and Awards Statute, 10 Ill. Rev. Stat., 1-30, which went into effect July 1, 1919 and was superseded August 24, 1961 by Smith-Hurd, Ill. Stat., Title 10, Sec. 101 (Ill. L 1971, p. 3844, Sec. 1).

The situation is chronologically parallel to that in the present case.

The agreement in Zell provided

> "This agreement shall be construed, interpreted and enforced according to the laws of the State of New York, and all claims, demands, disputes, differences, controversies and misunderstandings, the disposition of which is not specifically herein provided for, shall be submitted to be determined by arbitration, pursuant to the rules of the American Arbitration Association

> then obtaining; and judgment on the award may be entered in any court having proper jurisdiction."

The Federal Arbitration Act Applies To The Contract Between The Parties

> "The plaintiff was also correct in his assertion that federal law governs the validity of an arbitration agreement when the Federal Arbitration Act is applicable."

In Wilko v. Swan, 346 U.S. 427, 74 Sct 182, 98 Led 168 (1953) this court stated that the Federal Arbitration Act applies to "...a contract evidencing a transaction involving commerce to settle by arbitration a controversy thereafter arising out of such contract or transaction, or the refusal to perform the whole or any part thereof." (citing 9 U.S.C. 2). The contract between

the parties here involves commerce as shown by a quoted portion thereof in the appendix A hereto.

The Circuit Court Of Appeals
For the Seventh Circuit
Supports Respondent's Position

In United Transportation Union v. Illinois Central Railroad Company, 433 F2d 566, 568, the Seventh Circuit in 1970 held

> "The present situation is analogous to the treatment of stay orders by the district court pending arbitration proceedings. Where a district court has been faced with a dispute and has stayed such dispute pending an initial proceeding for arbitration on the merits, the courts have held that such a stay was not a final appeal order. Baltimore Contractors v. Bodinger, 348 U.S. 176, 179, 78 SCt 249, 99 Led 233 (1955); Alexander v. Pacific Maritime Association, 332 F2d 266, 267 (9th Cir. 1964); Armstrong, Norwalk Rubber Corp. v. Local Union No. 283, 269 F2d 618 (2d Cir. 1959)." (Emphasis supplied).

The stay granted in the present case is not one to stay proceedings in another court nor is it one to permit the prior arbitration of an equitable defense before proceeding with trial on the merits. It is a stay for the purpose of arbitrating the controversy between the parties on the merits before embarking upon a litigation procedure on the merits in a court of law.

CONCLUSION

The Petitioners Writ should be denied. The ruling of the Circuit Court of Appeals for the Seventh Circuit in denying Petitioners Appeal does not run counter to the Enelow-Ettelson rule, Baltimore Contractors v. Bodinger, Shanferoke Co., or any of the rulings of these several circuits whose decisions were cited by Petitioners. Respondent is not attempting to stay proceedings in the District Court to arbitrate an equitable defense in a law action. The stay was secured to arbitrate,

as expressly agreed upon between the parties, the merits of the controversy between the parties.

Inasmuch as the written agreement of the parties is to arbitrate by submission to the American Arbitration Association for action under its rules, and in view of the fact that the contract between the parties involves commerce, arbitration properly comes under the Federal Arbitration Act.

Respectfully submitted,

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APPENDIX

The contract between Petitioners and Respondent dated March 24, 1960, states in part:

"1. The parties have organized and recorded a Mexican company called Plastic Contract Lens De Mexico, S.A., in accordance with the laws of the Republic of Mexico..."

"3. The objects of the Company shall be: The manufacture, preparation, acqusition by any legal means, sale, import and export of and dealing in materials, machinery, equipment, processes and techniques of all kinds related to contact lens; and to engage in all civil or mercantile activities permitted by law."

ASSIGNMENT

For value received the undersigned, NEWTON K. WESLEY and GEORGE N. JESSEN of Chicago, Illinois, hereby assign, transfer and set over to THE PLASTIC CONTACT LENS COMPANY, an Illinois corporation, all of their right, title and interest in and to that certain agreement dated March 24, 1960, between the undersigned and MARCELO CHIQUIAR ARIAS, JAVIER BARONA YANEZ, VICTOR CHIQUIAR ARIAS, and PLASTIC CONTACT LENS DE MEXISO, S.A., relating to the organization of PLASTIC CONTACT LENS DE MEXICO, S.A., and other related matters subject to all of the terms and conditions thereof.

Dated at Chicago, Illinois, November 3, 1960.

/s/ Newton K. Wesley (SEAL)
NEWTON K. WESLEY

/s/ George N. Jessen (SEAL)
GEORGE N. JESSEN

1 Ill. Rev. Stat. 1959, ch. 10, §1, Page 194. (Arbitration and Awards)

[1. Submission of controversy to arbitrators.]
§1. Be it enacted by the People of the State of Illinois, represented in the General Assembly: That all persons having a requisite legal capacity may, by an instrument in writing to be signed by them, submit to one or more arbitrators to be named in the manner indicated by such writing, any controversy existing between them, and may, in such submission, agree that any court of competent jurisdiction, or any court therein named (provided it is of competent jurisdiction) may pass upon any questions of law arising in such arbitration proceedings, and that a judgment, or successive judgments, of such court shall be rendered upon the award made pursuant to such submission, and for payment of fees and costs of the arbitration or arbitrators. [As amended by act approved June 23, 1919. In force July 1, 1. 1919, p. 216.]

1 Ill. Rev. Stat., 1977, ch. 10, §101, page 189. (Uniform Arbitration Act)

101. §1. Validity of arbitration agreement. A written agreement to submit any existing controversy to arbitration or a provision in a written agreement to submit to arbitration any controversy thereafter arising between the parties is valid, enforceable and irrevocable save upon such grounds as exist for the revocation of any contract, except that any agreement between a patient and a hospital or health care provider to submit to binding arbitration a claim for damages arising out of (1) injuries alleged to have been received by a patient, or (2) death of a patient due to hospital or health care provider negligence or other wrongful act, but not including intentional torts, is also subject to the Health Care Arbitration Act.

1 Ill. Rev. Stat. 1977, ch. 10 §119, page 191. (Uniform Arbitration Act)

119. §19. (Act not retroactive.) This Act applies only to agreements made subsequent to the effective date of this Act.

Supreme Court, U. S.
FILED
FEB 13 1979
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1978

No. 78-886

WESLEY-JESSEN INC., AN ILLINOIS CORPORATION AND DR. NEWTON K. WESLEY,

Petitioners,

vs.

MARCELLO CHIQUIAR ARIAS,

Respondent.

REPLY BRIEF OF PETITIONERS IN CONNECTION WITH PETITION FOR WRIT OF CERTIORARI TO THE UNTED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

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IN THE
SUPREME COURT OF THE
UNITED STATES
OCTOBER TERM, 1978

No. 78-886

WESLEY-JESSEN INC., an
Illinois corporation,
and DR. NEWTON K. WESLEY
Petitioners

v.

MARCELLO CHIQUIAR ARIAS
Respondent

REPLY BRIEF OF PETITIONERS IN CONNECTION WITH PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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DISCUSSION

The question presented by the Petitioners to this Court is whether "one Circuit of the United States Court of Appeals [can] render a decision denying a litigant the right to appeal an order staying proceedings before the United States District Court pending arbitration where such decision is in direct conflict with the Enelow-Ettelson Rule established by the Supreme Court of the United States and decisions rendered by other circuits of the United States Courts of Appeal and the Supreme Court of the United States." (Petition for Writ of Certiorari To The United States Court of Appeals for The Seventh Circuit, p.4).

The Order of the United States Court of Appeals for the Seventh Circuit dismissing the Petitioners' appeal of

the United States District Court Order staying the suit pending arbitration provided in part the following:

> "IT IS ORDERED that this appeal is hereby DISMISSED because it is not taken from a final order. Baltimore Contractors, Inc. v. Bodinger, 348 U.S. 176 (1955); Zell v. Jacoby-Bender, Inc., 542 F.2d 34 (7th Cir. 1976)." (Petition for Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit, p. A7).

Of course, any appeal from a "final order" is pursuant to 28 U.S.C. §1291 whereas an appeal under the Enelow-Ettelson Rule is pursuant to 28 U.S.C. §1292(a)(1). Enelow v. New York Life Insurance Co., 293 U.S. 379 (1934); Ettelson v. Metropolitan Life Insurance Co., 317 U.S. 188 (1942).

Baltimore Contractors, Inc. v. Bodinger, 348 U.S. 176 (1955) held that the denial of a stay order pending arbitration in an equitable action for an accounting was not appealable since the action suspended by the Order was not at law. The Court in Zell v. Jacoby-Bender, Inc., 542

F.2d 34 (7th Cir. 1976), dissected the plaintiff's Complaint and concluded that the plaintiff's action was in reality an action cognizable at law for breach of contract in spite of the action being styled for accounting. Therefore, the plaintiff's action was deemed to be at law for damages and appealable as an interlocutory injunction under 28 U.S.C. §1292 (a)(1) and Enelow-Ettelson.

It is well established that an order granting or denying a stay of proceedings in a District Court pending arbitration has been held to be tantamount to the granting or denial of an injunction and is, therefore, appealable under §1292(a)(1) if the following two-pronged test is satisfied:

1. The action in which the order was made is an action which before the fusion of law and equity was by its nature an action at law.

2. The stay was sought to

permit the prior determination of some equitable defense. This rule was established by this Honorable Court in Enelow, Ettelson and their successors and endorsed, inter-alia, by the Second, Fifth, Seventh and Ninth United States Courts of Appeals. (See Petition for Writ of Certiorari To The United States Court of Appeals for The Seventh Circuit, pgs. 16 and 17).

Respondent does not dispute that the appeal from the District Court to the United States Court of Appeals for the Seventh Circuit was in fact under 28 U.S.C. §1292(a)(1) and not under 28 U.S.C. §1291. This error by itself places the subject Order in direct conflict with the Enelow-Ettelson Rule, its successors, and decisions from other United States Courts of Appeals (See Petition for Writ of Certiorari To The United States Court of Appeals for The Seventh Circuit, pgs. 29-36).

Respondent also does not dispute that the Enelow-Ettelson Rule and its successors render an order staying a law action pending the outcome of an equitable defense appealable as an "injunction" under 28 U.S.C. §1292(a)(1). (Respondent's Brief Opposing Petition For Writ of Certiorari, p. 4). Respondent also does not dispute that the interposition of an arbitration agreement is itself an equitable defense. American Safety Equipment v. J. P. McGuire Company, Inc., 391 F.2d 821 (2d Cir. 1968); Shanferoke Coal & Supply Corp. of Delaware v. Westchester Service Corp., 293 U.S. 449 (1935) (Petition For Writ of Certiorari To The United States Court of Appeals For The Seventh Circuit, p. 24).

The propriety of the District Court Order is not ripe for presentation to this Court and, therefore, Respondent's

arguments and authority on that issue are irrelevant and immaterial as to the issue of appealability.

The Respondent attempts to defend the subject Order of the United States Court of Appeals by arguing that an equitable action was stayed and not a law action. Respondent fails to identify the particular allegations or request for relief contained in Petitioners' Complaint for declaratory judgment which support the Respondent's questionable conclusion. The Respondent's erroneous conclusion is not supported in the Appendix or by any reference to the record. He does make the following statements in his Respondent's Brief Opposing Petition For Writ of Certiorari to show that Petitioners' Complaint for declaratory judgment is in equity and not at law:

"The effect of an adjudication in favor of Petitioners would be to require Respondent to specifically perform what Petitioners allege to be the obligations of Respondent under said agreement of March 24, 1960." (Respondent's Brief Opposing Petition For Writ of Certiorari, pgs. 1 and 2).

"The action brought by Petitioners lies in equity. It requests the court to enforce the contract between the parties." (Respondent's Brief Opposing Petition For Writ of Certiorari, p.5).

Petitioners respectfully submit that the Respondent's characterization of Petitioners' Complaint for declaratory judgment is incorrect, unwarranted, and unsound. The Petitioners have set forth their Complaint for declaratory judgment as Appendix A1 to A12 and invite the Court to carefully review the allegations and prayer for

relief. Such examination of complaints to determine whether the action is at law or in equity is basic to the Enelow-Ettelson Rule and is especially required with complaints for declaratory judgment. See American Safety Equipment, supra; Hudson Lumber Company v. United States Plywood Corporation, 181 F.2d 929 (9th Cir. 1950); Zell, supra.

Petitioners' Complaint is totally devoid of any allegations warranting equitable relief and the Complaint does not request the Court to render any equitable relief. The Complaint does not ask for specific performance and does not ask the Court to order the Respondent to do or not to do something in the future.

The Complaint in essence requests the Court to declare that the Respondent has no right to receive money and royalties from the Petitioners. The Complaint was filed subsequent to money demands

made by the Respondent to the Petitioners. This renders the Complaint one at law.

If the Complaint were in equity, it would necessarily include the allegation that there exists no adequate remedy at law and a request for the performance of some affirmative act by the Respondent to fulfill the obligations of the Agreement.

Since the Complaint is at law, the appeal was proper under Enelow-Ettelson and should not have been dismissed.

The criteria of Enelow-Ettelson have been satisfied and, therefore, the subject Order of the United States District Court is appealable to the United States Court of Appeals. The dismissal of the appeal is contrary to four (4) well respected decisions of this Court and at least eleven (11) decisions of the Courts of Appeals.

This Court has the obligation and duty to safeguard the right to appeal and to make such right uniformly available throughout our country. The right to appeal under the subject circumstance is well established and should be respected by all courts.

CONCLUSION

The Supreme Court of the United States with its supervisory power has the obligation to resolve conflicts of opinion on federal practice and procedure and has the obligation to bring about uniformity and thereby avoid controversy and confusion.

Our courts are faced with agreements containing arbitration clauses more frequently now and this will increase in the future. Therefore, it is of the utmost importance that the lower courts have a uniform position and that confusion and controversy be eliminated in this important area.

The Petitioners' Complaint for declaratory judgment is at law. The Respondent has failed to prove in any manner whatsoever his conclusory argument that said Complaint is in equity. Since the underlying action is at law, the appeal of the District Court Order to the Court of Appeals was proper under the Enelow-Ettelson Rule, decisions of many Courts of Appeals and 28 U.S.C. §1292(a)(1).

The Court of Appeals' Order is in direct conflict with the decisions of this Court and decisions from Courts of Appeals in that the Court of Appeals should have considered the appeal as being prosecuted under 28 U.S.C. §1292 (a)(1) and not under 28 U.S.C. § 1291. The Enelow-Ettelson Rule and the decisions from the Courts of Appeals on this issue mandate that an appeal from an order staying a lawsuit pending arbi-

tration be considered to be under 28 U.S.C. §1292(a)(1) and not under 28 U.S.C. §1291.

In addition, the subject Order of the Court of Appeals is in direct conflict with the Enelow-Ettelson Rule and decisions from the Courts of Appeals in that the appeal was dismissed even though a law action was stayed pending arbitration.

The Petitioners respectfully request that the Petition for Writ of Certiorari to the Court of Appeals for the Seventh Circuit be granted so as to bring about uniformity on federal

practice and procedure within the federal judiciary and thereby avoid differing results on the same issues.

Respectfully submitted,

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

WESLEY-JESSEN INC., an Illinois corporation, and DR. NEWTON K. WESLEY, Plaintiffs,	)	
vs.	)	No. 76 C 3012
MARCELO CHIQUIAR ARIAS, Defendant.	)	

COMPLAINT FOR DECLARATORY JUDGMENT

NOW COME the Plaintiffs WESLEY-JESSEN INC., an Illinois corporation, and DR. NEWTON K. WESLEY, by and through their attorneys IRWIN PANTER and THOMAS I. MATYAS and complaining of the Defendant, MARCELO CHIQUIAR ARIAS, hereby set forth their Complaint For Declaratory Judgment and allege as follows:

COUNT I

1. The Plaintiff WESLEY-JESSEN INC. is a business corporation organized and existing under and pursuant to the laws of the State of Illinois and has its principal place of business in the City

of Chicago and State of Illinois. Said corporation was previously known as THE PLASTIC CONTACT LENS COMPANY with the change in name taking place on or about February 17, 1971 (WESLEY-JESSEN INC. and THE PLASTIC CONTACT LENS COMPANY shall be hereinafter referred to collectively as the CORPORATION).

2. The Plaintiff DR. NEWTON K. WESLEY is a resident of and is domiciled in the State of Illinois (The Plaintiff DR. NEWTON K. WESLEY shall be hereinafter referred to as WESLEY).

3. The Defendant, MARCELO CHIQUIAR ARIAS, is a citizen of the Republic of Mexico and is domiciled in Mexico City, Mexico.

4. The Plaintiffs invoke this Court's jurisdiction pursuant to Title 28 USC Section 1332. The matter in controversy between the respective parties hereto exceeds, exclusive of interest

and costs, the sum of $10,000.00.

5. The Plaintiff corporation is now and has at all times relevant hereto, and in fact for many years on a continuous basis, been engaged in the development and manufacture, licensing and sales of contact lenses.

6. On or about March 24, 1960, a certain agreement was entered into by the respective parties hereto whereby the Defendant agreed, inter alia, to transmit to the corporation or to Wesley all experience, information, knowledge, skill and know-how (these terms will hereafter be referred to collectively as "information") which the Defendant may possess in regard to the changes and/or improvements of the design, manufacture and fitting of contact lenses. Further, said agreement grants unto the Plaintiffs, inter alia, the sole and exclusive rights to deal with any and all the information

provided to them by the Defendant. A true and accurate copy of said agreement is attached hereto and marked as Exhibit "A" and expressly made a part hereof.

7. The right, title and interest of the Plaintiff Wesley in and to the aforementioned agreement was assigned on or about November 3, 1960 to the Plastic Contact Lens Company. Said company is now known as Wesley Jessen Inc. as detailed hereinabove. True and accurate copies of said assignment and of a notice of assignment are attached hereto and marked as Exhibits "B" and "C" respectively and expressly made a part hereof.

8. The Plaintiffs, and each of them, have at all times fulfilled all of the duties and obligations imposed on each of them by the terms and provisions of said agreement.

9. The Defendant has claimed and

asserted that he has made available to the Plaintiffs information in regard to the development,manufacture and fitting of contact lenses.

10. The Defendant has claimed individually, and by and through his present attorneys, namely Alan D. Mockabee of the law firm of Beehler, Mockabee, Arant, Jagger & Bachand, that the information the Defendant claims to have made available to the Plaintiffs was unique, original and not within the realm of public knowledge and that initially the Plaintiffs encouraged him to perfect and protect by patent his information and thereafter dissuaded him from further prosecuting any application for patents in the United States because the Plaintiffs advised him that they would not make contact lenses of the type allegedly developed by the Defendant. It is further claimed by the Defendant and

his counsel that the Plaintiffs subsequently proceeded to perfect, patent and utilize the Defendant's information in and about the manufacture and fitting of contact lenses and that, therefore, Defendant is entitled to monies and royalties from Plaintiffs.

11. It is the position of the Plaintiffs that any and all information made available by the Defendants to the Plaintiffs was within the obligations and duties imposed upon the Defendant by the aforementioned agreement and that if Defendant had failed to so do, he would have violated said agreement.

12. That there exists an actual and bona fide controversy between the Plaintiffs and the Defendant as to their legal relations in respect to the aforesaid agreement, the rights and obligations of the respective parties under said agreement, the right of the Plaintiff

corporation to manufacture, use, license and sell the Plaintiff Corporation's contact lenses without interference from the Defendant and as to Defendant's claim for monies and royalties in connection with his alleged disclosures to the Plaintiffs. The above enumerated controversy can be determined only by means of a declaratory judgment from this Honorable Court.

WHEREFORE, Plaintiffs WESLEY-JESSEN INC., an Illinois corporation, and DR. NEWTON K. WESLEY pray for a declaratory judgment as follows:

A. Declaring that a valid and enforceable contract exists between the Plaintiffs and the Defendant by reason of the agreement entered into on March 24, 1960.

B. Declaring the rights and other legal relations of the Plaintiffs and the Defendant by reason of the aforementioned agreement.

C. Declaring that any and all claimed disclosures were within the obligations imposed on the Defendant by the aforementioned agreement.

D. Declaring that the Defendant has no right, title or interest in and to any of the claimed disclosures.

E. Declaring that the Defendant is not entitled to any monies or royalties in connection with any of the claimed disclosures.

F. Declaring that the Defendant does not have any right, title or interest in and to any of the Plaintiffs' products or patents.

G. For such other and further relief as the Court may deem just and appropriate, together with Plaintiffs' costs.

COUNT II

1-5. Plaintiffs hereby reallege and restate Paragraphs 1 through 5

inclusive of Count I hereof as Paragraphs 1 through 5 of this Count II as if each and every allegation therein were fully set forth herein.

6. The Defendant claims to have made available to the Plaintiffs information in regard to the development, manufacture and fitting of contact lenses.

7. Plaintiffs hereby reallege and restate Paragraph 10 of Count I hereof as Paragraph 7 of this Count II as if each and every allegation therein were fully set forth herein.

8. It is the position of the Plaintiffs that the information claimed to have been provided by the Defendant to the Plaintiffs was not original or unique and it was in fact within the realm of public knowledge at the time that the alleged disclosures are claimed to have been made. Further, the Plaintiffs contend that the disclosures claimed by

the Defendant do not include ideas that were at any time or are at present feasible of being reduced to marketable contact lenses, and further did not and have not disclosed any patentable invention over what was known to the art at the time the alleged disclosures were purported to have been made. Furthermore, the Plaintiffs contend that the information claimed by the Defendant to have been provided to the Plaintiffs was not, has not and is not at present patented by the Plaintiffs and has never been and is not at present included in whole or in part in any patent owned by the Plaintiffs. Plaintiffs further contend that such allegedly disclosed information was never and is not at present utilized in any manner whatsoever by the Plaintiffs in and about the manufacture, designing and fitting of contact lenses, and that, therefore, the Defendant is not entitled

to any monies or royalties from the Plaintiffs.

9. There exists an actual and bona fide controversy between the Plaintiffs and Defendant as to the right of the Plaintiff Corporation to manufacture, use, license and sell the Plaintiff Corporation's contact lenses without interference from the Defendant and as to the Defendant's claim for monies and royalties in connection with his alleged disclosures to the Plaintiffs. The above enumerated controversy can be determined only by a declaratory judgment from this Honorable Court.

WHEREFORE, Plaintiffs WESLEY-JESSEN INC., an Illinois corporation, and DR. NEWTON K. WESLEY pray for declaratory judgment as follows:

A. Declaring that the Defendant is not entitled to any monies or royalties in connection with any disclosures made

by the Defendant to the Plaintiffs.

B. Declaring that the Defendant does not have any right, title or interest in and to any of the Plaintiffs' products or patents.

C. For such other and further relief as the Court may deem to be just and proper in addition to the cost of this suit.

WESLEY-JESSEN INC., an
Illinois corporation,
and DR. NEWTON K. WESLEY

By_____
One of its attorneys

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(Exhibits "A", "B" and "C" are not included in this Appendix)